

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name Village of Lake Ann	County BENZIE	Type TOWNSHIP	MuniCode 10-2-050
Opinion Date-Use Calendar Feb 29, 2008	Audit Submitted-Use Calendar Jul 17, 2008	Fiscal Year-Use Drop List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
	<input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 32,192.00
General Fund Expenditure:	\$ 28,904.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 57,792.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) David	Last Name Wilson	Ten Digit License Number 1101013769		
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CPA Firm Name Wilson, Ward CPA Firm	Unit's Street Address PO Box 205	City INTERLOCHEN		LU Zip 49643

VILLAGE OF LAKE ANN
BENZIE COUNTY, MICHIGAN

AUDIT REPORT

For Year Ended
February 29, 2008

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

VILLAGE OF LAKE ANN
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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Lake Ann
Lake Ann, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Lake Ann, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. The comparative statements carry values audited by other auditors in the prior year whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included is based on that report. These general purpose financial statements are the responsibility of the Village of Lake Ann's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Lake Ann, Michigan as of February 29, 2008, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson Ward CPA Firm

Interlochen, MI
July 8, 2008

Village of Lake Ann

Management Discussion and Analysis

This discussion and analysis provides an overview of the Village's financial activities for the fiscal year ended February 29, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights:

- The Village's net assets changed with a 17 percent increase attributed to frugal village operations.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Village's operations in more detail than the Government-Wide Financial Statements by providing information about the Village's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Village's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Village is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Village.

The Village as a Whole:

The following table shows current year net assets:

Assets	
Cash	132,067
Other Current Assets	0
Capital Assets Net	<u>31,932</u>
Total Assets	163,999
Liabilities and Net Assets	
Liabilities	449
Net Assets	<u>132,067</u>
Total Liabilities and Net Assets	163,999

The Village's combined net assets increased 15% from a year ago - increasing from \$114,576 to \$131,618. This was primarily due to prudent Village operations.

	2008
Revenue	
Taxes	10,066
State Grants	56,777
Interest and Rental	1,905
Charges for Services	0
Other	<u>1,359</u>
Total Revenue	71,268
Expenditure	<u>54,226</u>
Excess Revenue	17,042

The Village's Funds:

Our analysis of the Village's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax milage.

General Fund Budgetary Highlights:

Over the course of the year the Village Board was able to maintain the Village departments within their prescribed budgets

Capital Asset and Debt Administration:**Capital Assets**

The Village made no major capital improvements during the year.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings	5,200	173	3,078
Land	2,000	0	0
Roads	30,221	804	2,412
Total General Fixed Assets	37,421	977	5,490

Debt

The Village has no debt.

Economic Factors and Next Year's Budgets and Rates:

Village of Lake Ann 2008-2009 budget calls for the allocated millages to support the general fund.

General Overview of the Accomplishments of Village of Lake Ann in the 2007-2008 Fiscal Year:

The Village finances have been managed very closely during this fiscal year. This is reflected in an increase of the General Fund balance. The Village is in a very healthy state as a whole.

Contacting the Village's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 275-5267

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VILLAGE OF LAKE ANN
STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	<u>Primary Government</u> Governmental Activities
ASSETS	
Cash, investments and cash equivalents	\$132,067
Receivables (net)	
Prepaid Expenditures	
Internal balances	
Inventories	
Capital Assets, net	<u>31,932</u>
Total Assets	<u><u>163,999</u></u>
LIABILITIES	
Accounts payable	449
Deferred revenue	0
Due to Other Agencies	
Noncurrent liabilities	
Due within one year	
Due in more than one year	
Total Liabilities	<u>449</u>
NET ASSETS	
Invested in capital assets, net of related debt	31,932
Restricted for:	
Capital projects	3,552
Unrestricted (deficit)	<u>128,066</u>
Total Net Assets	<u><u>163,550</u></u>
Total Liabilities and Net Assets	<u><u>\$163,999</u></u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF LAKE ANN
Statement of Activities
For Year Ended February 29, 2008

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
Primary government					
Governmental activities:					
Legislative	\$15,996				(\$15,996)
General government	12,448	0			(12,448)
Public safety	0	0			0
Public works	25,322	0			(25,322)
Health and Welfare					0
Community and Economic Development					0
Recreation and Culture	266				(266)
Other	194				(194)
Interest on Long Term Debt					0
Total Governmental Activities	54,226	0	0	0	(54,226)
Business Type Activities					
Park and Water					
Total Primary Government	54,226	0	0		(54,226)
General revenues:					
Taxes					
Property Taxes-general					11,228
Property Taxes-debt service					0
State-Shared Revenues					56,776
Unrestricted Investment Earnings					1,905
Franchise taxes					0
Miscellaneous					1,359
Transfers					0
Total General Revenues-Special Items and Transfers					71,268
Changes in Net Assets					17,042
Net Assets - Beginning					114,576
Net Assets - Ending					<u>\$131,618</u>

See Accompanying Notes and Accountants Report.

VILLAGE OF LAKE ANN, MICHIGAN
Governmental Funds
Balance Sheet
February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Other Non-Major Fund	Total
ASSETS					
Cash	\$58,241	\$57,295	\$12,979	\$3,552	132,067
Due From Other Fund	0	\$0	\$0		0
Due From State	0	\$0	\$0		0
Taxes Receivable	0		\$0		0
Total Assets	58,241	57,295	12,979	3,552	132,067
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts Payable	449	0	0		449
Deferred Revenue	0				0
Due to Other Funds	0	0	0		0
Deferred Taxes	0	0	0	0	0
Total Liabilities	449	0	0	0	449
FUND EQUITY:					
Fund Balance:					
Unreserved	57,792	57,295	12,979	3,552	131,618
Total Fund Equity	57,792	57,295	12,979	3,552	131,618
Total Liabilities and Fund Equity	\$58,241	\$57,295	\$12,979	\$3,552	\$132,067

VILLAGE OF LAKE ANN, MICHIGAN
Governmental Funds
Combining Statement of Revenue, Expenditure and Changes in Fund Balance
For the Year Ended February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Metro Act	Total
REVENUES					
Property Taxes	\$11,228	0		\$0	\$11,228
State Shared	18,685	28,477	8,065	1,549	56,776
Rents and Royalties	0				0
Interest	938	776	191	0	1,905
Other	1,341		18		1,359
Taxes			0		0
Total Revenues	32,192	29,253	8,274	1,549	71,268
EXPENDITURES					
Legislative	15,996				15,996
General Government	12,448			0	12,448
Public Safety					0
Public Works		17,089	8,233		25,322
Planning					0
Recreation and Culture	266				266
Other Functions	194				194
Contracted Services					0
Capital Outlay					0
Total Expenditures	28,904	17,089	8,233	0	54,226
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	\$3,288	\$12,164	\$41	\$1,549	\$17,042
FUND BALANCE, BEGINNING	54,504	45,131	12,938	2,003	114,576
Transfer In	0	0	0	0	0
FUND BALANCE, ENDING	\$57,792	\$57,295	\$12,979	\$3,552	131,618

VILLAGE OF LAKE ANN, MICHIGAN
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
February 28, 2008

Total Fund Balance for Governmental Funds	\$131,618
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,932
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	0
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Compensated Absences	<u>0</u>
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Net Assets of Governmental Activities	<u><u>\$163,550</u></u>
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VILLAGE OF LAKE ANN, MICHIGAN
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended February 29, 2008

Net Change in Fund Balances- Total Governmental Funds	\$17,042
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Governmental funds report capital outlays as
expenditures in the statement of activities. These
cost are allocated over their estimated useful
lives as depreciation in the statement of activities.

Depreciation Expense	(5,247)	
Capital Outlay	<u>0</u>	(5,247)

Employee compensated absences are reported on the
accrual method in the statement of activities, and
recorded as expenditures when financial resources
are used in the governmental funds.

Change in Net assets of Governmental Activities	<u>\$11,795</u>
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Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Lake Ann have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting Entity

The Village of Lake Ann is a common law Village Located in Benzie County. The Village population as of the 2000 census was 276 and the current state taxable valuation is \$9,818,197.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

B. Government —Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .continued

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village collects property taxes between July 1 and September 15. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue on the Village's balance sheet, as these accounts are not normally received within sixty days of year-end, and are therefore not available to finance operations.

Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current period. All other revenue items are considered to be available only when the cash is received by the government.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds— Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The major special revenue funds maintained by the Village are the Major Streets, Local Streets and Metro Funds.

Capital Projects Fund — Capital Project Funds are used to account for the acquisition or construction of major capital facilities by governmental units that are not accounted for by proprietary funds and trust funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments- Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets — Capital assets, which include property and equipment, are reported in the applicable governmental column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of onetwo years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

- | | |
|----------------------------------|------------|
| • Furniture and Office Equipment | 5 years |
| • Maintenance Equipment | 7 years |
| • Road & Infrastructure | 37.5 years |
| • Buildings and Improvements | 30 years |

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The General Fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis. It is used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements the Villages actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Village for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Village incurred no expenditures in excess of the amounts appropriated.

Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943 as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Village, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection 2.
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
4. In banker's acceptances of United States banks.
5. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Village maintains all its surplus funds with local banks in the form of savings/checking accounts and certificates of deposit. Interpreting FDIC rules regarding the \$100,000 insurance limit to apply separately to the demand and time deposits of public units, GASB statement 3 risk disclosures for the Village are as follows:

Category 1 Insured or collateralized with securities held by the entity or its agent in the entity's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name.

Category 3 Un-collateralized

C. Deposits

	<i>Category 1</i>	<i>Category 3</i>
	Insured	Uninsured
Cash	\$100,000	\$32,067

Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 4 - SUMMARY OF CAPITAL ASSETS

Capital asset activity of the primary government for the current year is summarized as follows:

A Governmental Activities

	<i>Beginning</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
Capital Assets Not Being Depreciated				
Land	\$ 2,000			\$2,000
Capital Assets Being Depreciated				
Buildings	5,200			5,200
Roads/Paving	30,221			30,221
Total	37,421			37,421
Accumulated Depreciation				
Buildings	2,904	173		3,078
Roads/Paving	1,608	804		2,412
Total	4,512	977		5,490
Net General Assets	32,909	977		31,932

NOTE 5- RETIREMENT PLANS

The Village contributes 12.4% of annual compensation which is funded 100%. During the audit year, the Village contributed \$1,345 to the plan.

Contributions are vested immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

Village of Lake Ann
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 6- RISK MANAGEMENT

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, the Village carries worker's compensation insurance with Accident Fund of Michigan. There were no settled claims resulting from these risks.

NOTE 7- COMMITMENTS

The Village has no other undisclosed commitments.

NOTE 8-USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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3015 M-137
Interlochen, MI 49643

(231) 276-7668

Fax: (231) 276-7687

E-mail: wilson@wilsonward.com

To the Lake Ann Village Council
Lake Ann, MI

We have audited the combined financial statements of the Village of Lake Ann, Michigan for the year ended February 29, 2008. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
July 8, 2008

VILLAGE OF LAKE ANN
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended February 29, 2008

	Original Budget	Final Budget	2008 Actual	Variance Favorable (Unfavorable)
<u>Revenue</u>				
Current Property Taxes	\$9,800	\$9,800	\$11,228	\$1,428
Specific Tax				0
Licenses and Permits	120	120	110	(10)
State Shared Revenues	21,000	21,000	18,685	(2,315)
Insurance Paybacks				0
Earned Interest	600	600	938	338
Rents and Royalties				0
Charges for Service				0
Park Escrow				0
Other Revenue	950	950	1,231	281
Insurance Claim				0
Interest CDs				0
Total Revenues	32,470	32,470	32,192	(278)
<u>Expenditure</u>				
Legislative				
Personal Services	4,100	4,255	4,731	(476)
Membership & Dues	250	250	0	250
Printing and Publishing	1,000	1,991	2,603	(612)
Insurance & Bonds	4,300	4,300	4,446	(146)
Public Utilities	4,200	4,200	4,160	40
Other General Services	1,000	1,000	56	944
	14,850	15,996	15,996	0
General Government				
Mayor				
Personal Services	715	825	825	0
Supplies	0	0	0	0
Mileage & Transportation		182	182	0
Other General Services	0	5	5	5
	715	1,012	1,012	5
Elections				
Personal Services	500	1,206	1,206	0
Printing and Publishing	250	461	811	(350)
Other General Services	350	350	0	350
	1,100	2,017	2,017	0
Professional Services	7000	3347	2096	1,251

VILLAGE OF LAKE ANN
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended February 29, 2008

	Original Budget	Final Budget	2008 Actual	Variance Favorable (Unfavorable)
Clerk				
Personal Services	1,585	1,585	1,672	(87)
Supplies	100	600	647	(47)
Mileage & Transportation	120	120	0	120
Communications	50	50	5	45
Other General Services	0	0	0	0
	<u>1,855</u>	<u>2,355</u>	<u>2,324</u>	<u>31</u>
Treasurer				
Personal Services	1,585	1,672	1,673	(1)
Supplies	275	413	413	0
Mileage & Transportation	20	96	96	0
	<u>1,880</u>	<u>2,181</u>	<u>2,182</u>	<u>(1)</u>
Planning and Zoning				
Salaries	1,625	1,625	1,305	320
Operating Supplies	100	100	30	70
Other Services	0	0	2	(2)
Printing and Publishing	200	200	7	193
	<u>1,925</u>	<u>1,925</u>	<u>1,344</u>	<u>581</u>
Parks and Recreation				
Parks	266	266	266	0
Personal Services	750	750	326	424
Supplies	200	200	275	(75)
Public Utilities	0	0	247	(247)
Repairs & Maintenance	1,500	1,500	514	986
Other General Services	400	400	111	289
Total Parks and Recreation	<u>3,116</u>	<u>3,116</u>	<u>1,739</u>	<u>1,377</u>
Other General Services				
Other General Services	601	601	194	407
Capital Outlay				
Total Expenditures	<u>33,042</u>	<u>32,550</u>	<u>28,904</u>	<u>3,651</u>
Excess Revenues Over (Under) Expenditures	<u>(572)</u>	<u>(80)</u>	<u>3,288</u>	<u>3,368</u>
Fund Balance - Beginning of Year			54,504	
Fund Balance - End of Year			<u>\$57,792</u>	

VILLAGE OF LAKE ANN
Balance Sheet
Major Street
For the Year Ended February 29, 2008

	2008
ASSETS	
Cash	\$57,295
Due From State	0
Due From General Fund	<u> </u>
Total Assets	<u><u>57,295</u></u>
 LIABILITIES & FUND BALANCE	
Liabilities	0
Due to Other Funds	0
Fund Balance - Reserved	<u>57,295</u>
Total Liabilities & Fund Balance	<u><u>\$57,295</u></u>

The footnotes are an integral part of these financial statements.

VILLAGE OF LAKE ANN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Major Street
For the Year Ended February 29, 2008

	Original Budget	Budget	2008 Actual	Variance Favorable (Unfavorable)
REVENUES				
State Shared	\$25,600	\$26,500	\$28,477	\$1,977
Interest	350	350	776	426
Property Tax	0	0	0	0
Contributions	0	0	0	0
Other	0	0	0	0
Contingency	0	0	0	0
Total Revenues	25,950	26,850	29,253	2,403
EXPENDITURES				
Public Works				
Wages		1,450	1,173	277
Administration		2,250	41	(2,209)
Highways, Streets and Bridges				
Routine Maintenance		11,000	3,211	7,789
Winter Mainatenance		11,000	12,365	(1,365)
Other	1,150	1,150	299	851
Capital Outlay		0	0	0
Total Expenditures	1,150	26,850	17,089	5,343
EXCESS REVENUES OVER (UNDER) EXPENDITURES	24,800	0	12,164	12,164
Other Financing Sources (Uses)				
Transfers In				
Transfers Out		0	0	0
FUND BALANCE, BEGINNING OF YEAR			45,131	
FUND BALANCE, END OF YEAR			\$57,295	

The footnotes are an integral part of these financial statements.

VILLAGE OF LAKE ANN
Balance Sheet
Local Street
For the Year Ended February 29, 2008

	2008
ASSETS	
Cash	\$12,979
Due From Other Funds	0
Due From State	
Taxes Receivable	<u> </u>
Total Assets	<u><u>\$12,979</u></u>
LIABILITIES & FUND BALANCE	
Deferred Revenue	
Due to other Funds	0
Fund Balance	<u>12,979</u>
Total Liabilities & Fund Balance	<u><u>\$12,979</u></u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF LAKE ANN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Local Street
For the Year Ended February 29, 2008

	Original Budget	Budget	2008 Actual	Variance Favorable (Unfavorable)
REVENUES				
State Shared	7200	\$7,500	\$8,065	\$565
Interest	100	100	191	91
Road Taxes				0
Other		0	18	18
Total Revenues	7,300	7,600	8,274	674
			12,938	
EXPENDITURES				
Public Works:				
Wages	350	400	349	51
Administration	530	15	9	6
Highways, Streets and Bridges:				
Routine Maintenance	2000	2,468	2,879	(411)
Winter Maintenance	5000	5,000	4,993	7
Rentals		100		100
Other		250	3	247
Capital Outlay		0	0	0
Total Expenditures	7,880	8,233	8,233	0
EXCESS REVENUES OVER (UNDER) EXPENDITURES				
	(580)	(633)	41	674
Other Financing Sources / (Uses)				
Transfer in	0	0	0	0
Transfer Out				
FUND BALANCE, BEGINNING OF YEAR				
			12,938	
FUND BALANCE, END OF YEAR				
			<u>\$12,979</u>	

The footnotes are an integral part of these Financial Statements.

VILLAGE OF Lake Ann
Balance Sheet
Metro
For the Year Ended February 29, 2008

	2008
ASSETS	
Cash	\$3,552
Due From General Fund	<u> </u>
Total Assets	<u><u>3,552</u></u>
LIABILITIES & FUND BALANCE	
Accrued Liabilities	
Due to Other Funds	0
Fund Balance	<u>3,552</u>
Total Liabilities & Fund Balance	<u><u>\$3,552</u></u>

The footnotes are an integral part of these financial statements.

VILLAGE OF LAKE ANN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Metro Fund
For the Year Ended February 29, 2008

	Original Budget	Budget	2008 Actual	Variance Favorable (Unfavorable)
REVENUES				
State Grant	\$1,400	\$1,400	\$1,549	\$149
Interest		0	0	0
Contingency		0	0	0
Charges for Services		0		0
Other Revenue				0
Total Revenues	1,400	1,400	1,549	149
EXPENDITURES				
Contracted Labor		0	0	0
Insurance		0	0	0
Miscellaneous	1,400	0	0	0
Total Expenditures	1,400	0	0	0
EXCESS REVENUES OVER (UNDER) EXPENDITURES	0	1,400	1,549	149
Other Financing Sources/(Uses)				
Transfers In			0	
Transfers Out			0	
FUND BALANCE, BEGINNING OF YEAR			2,003	
FUND BALANCE, END OF YEAR			<u>\$3,552</u>	

The footnotes are an integral part of these financial statements.

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July 8, 2008

To The Village Board
Village of Lake Ann
Traverse City, Michigan

We have audited the financial statements of the Village of Lake Ann for the year ended February 29, 2008 and have issued our report thereon dated June 8, 2008. Professional standards require that we provide you the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 11, 2007 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Village of Lake Ann are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Village of Lake Ann's books during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material; either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Comments

The segregation of duties continues to be an issue in both the coordination of bank reconciliations and the account distribution. Because a third party performs all of the accounting, it is necessary for the Treasurer to formally acknowledge both the bank reconciliation and the account distribution made by the third party accountant.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year in the normal course of our professional relationship.

We wish to thank the staff for their support and assistance during our audit.

This information is intended solely for the use of the Village Board, and management of the Village of Lake Ann and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
July 8, 2008